

Before the Commerce Commission
of the State of Illinois

OFFICIAL FILE

I.C.C. DOCKET NO. 03-0206

Applicants Exhibit No. 3

Witness _____

Date 4/15/03 Reporter _____

No. 03-0206

C III Communications Operations, LLC)
)
Application for a certificate of)
interexchange authority to operate as a)
facilities based carrier of)
telecommunications services)
throughout the State of Illinois)

**STATEMENT OF C III COMMUNICATIONS, LLC, C III COMMUNICATIONS
OPERATIONS, LLC, BROADWING COMMUNICATIONS SERVICES INC.,
AND BROADWING TELECOMMUNICATIONS INC.**

C III Communications, LLC ("C III"), C III Communications Operations, LLC ("C III Ops"), Broadwing Communications Services Inc. ("Broadwing-CSI"), and Broadwing Telecommunications Inc. ("Broadwing-TI") (collectively, the "Parties"), hereby notify the Illinois Commerce Commission ("Commission") about the transfer to C III Ops of the broadband business of Broadwing-CSI, including the assets and customers of Broadwing-TI.¹ Concurrently with the filing of this statement, C III Ops is filing with the Commission an application for a Certificate of Authority to provide interexchange services. A complete description of the transaction is included below.

I. The Parties

C III is a privately held Delaware limited liability company. C III is the parent company of C III Ops. C III does not currently hold any authority to provide telecommunications services. Upon closing of the proposed transaction, C III would be renamed Broadwing, LLC. C III Ops is a Delaware limited liability company that is wholly owned by C III. C III Ops would be the licensed service provider and enter into

¹ Upon closing of the proposed transaction, Broadwing-TI and Broadwing-CSI will surrender their authorizations in Illinois.

contracts with customers for the provision of services. C III Ops does not currently hold any authority to provide telecommunications services. Accordingly, as a condition precedent to the closing of the proposed transaction, C III Ops is seeking authority, where required, to provide competitive telecommunications services throughout the United States. In addition, C III Ops is seeking all necessary authority from the Federal Communications Commission ("FCC"). Upon closing of the proposed transaction, C III Ops would be renamed Broadwing Communications, LLC.

Four Special Purpose Entities ("SPEs") have been organized to hold the assets of C III Ops. These include: C III Communications Real Estate, LLC, which would hold all of the real property used to provide the services offered by C III Ops; C III Communications IRU, LLC, which would hold all of the IRUs used to provide the services; C III Communications Assets, LLC, which would be used to hold all assets, other than those held by C III Communications Real Estate, LLC or C III Communications IRU, LLC, used to provide the services; and C III Communications Employees, Inc., which would employ all the employees used to provide the services.² All of the SPEs are Delaware limited liability companies, except C III Communications Employees, Inc., which is a Delaware corporation. All of the SPEs are wholly owned by C III Ops. Upon closing, the SPEs would be renamed Broadwing Communications Real Estate, LLC, Broadwing Communications IRU, LLC, Broadwing Communications Assets, LLC and Broadwing Communications Employees, Inc.

² Pursuant to the Agreement, all Broadwing-CSI employees (Broadwing-TI does not have any employees) will be offered employment by C III Communications Employees, Inc. The Parties have no reason to believe that such employment offers will not be accepted and their joint expectation is that all Broadwing-CSI's current employees will become employees of C III Communications Employees, Inc.

Corvis Corporation ("Corvis"), a Delaware corporation, is a publicly-traded company (NASDAQ:CORV). Corvis is a world leader in the provision of optical network solutions. Corvis is the majority and controlling owner of C III. From point-to-point links to all-optical networks to transoceanic systems, Corvis delivers innovative optical network solutions that drive carrier profitability faster than any other vendor. Headquartered in Columbia, Maryland, Corvis provides carriers with scalable optical networking solutions and services that dramatically reduce the overall expenses associated with building and operating networks. Carriers deploying Corvis' optical network solutions can provision new wavelength-based services and tailor dynamic service-level agreements for rapid revenue generation. Corvis does not currently hold any authority to provide telecommunications services. For more information about Corvis, please visit its website at www.corvis.com.

Ceque III, LLC ("Ceque III") was founded in January 2002 as a privately held Delaware limited liability company. Ceque III is a minority owner of C III and would control less than one percent of the voting interests of C III. Ceque III's mission is to acquire or invest in, and subsequently manage, growth-oriented firms in the telecommunications and cable industries, focusing on those companies that offer platforms for future acquisitions and industry consolidation. In May 2002, Ceque III made equity investments in and assumed management of AAT Communications Corporation, which owns or manages more than 6,000 tower sites across the United States, leasing tower space for wireless voice and data services to a broad tenant base. On February 12, 2003, Ceque III announced that it had assumed management of and agreed to invest in Classic Communications, a cable provider with approximately 325,000

subscribers. On February 21, 2003, Cequel III announced that, subject to regulatory approvals and customary closing conditions, it had entered into an agreement with certain affiliates of Shaw Communications, Inc., to purchase that company's Texas-based cable systems, which serve approximately 27,000 customers.

Broadwing-TI, a Delaware corporation, is a wholly owned subsidiary of Broadwing-CSI, a Delaware Corporation. Broadwing-CSI is a wholly owned subsidiary of Broadwing Communications Inc. ("Broadwing Communications"), a Delaware corporation, which in turn is a wholly owned subsidiary of Broadwing Inc., an Ohio corporation. Broadwing Inc., a publicly-traded company (NYSE: BRW), is an integrated communications company comprised of Broadwing Communications and Cincinnati Bell.³ Broadwing Communications is an industry leader as the world's first intelligent, all-optical, switched network provider and offers businesses nationwide a competitive advantage by providing data, voice and Internet solutions that are flexible, reliable and innovative on its 18,700-mile optical network and its award-winning IP backbone. Cincinnati Bell is one of the nation's oldest, most respected and best performing local exchange and wireless providers with a legacy of unparalleled customer service excellence. Cincinnati Bell provides a wide range of telecommunications products and services to residential and business customers in Ohio, Kentucky and Indiana. Broadwing Inc. is headquartered in Cincinnati, Ohio. Broadwing Inc. would have a minority (less than three percent) non-voting interest in C III. After the closing of the proposed transaction, Broadwing Inc., Broadwing Communications, Broadwing-CSI and Broadwing-TI would be renamed to a name that does not include "Broadwing." For more information about Broadwing Inc., please visit its website at www.broadwing.com.

³ The proposed transaction does not involve the transfer of any of the assets of Cincinnati Bell.

Broadwing-CSI is authorized to provide intrastate interexchange services in forty-eight states, including Illinois. Broadwing-CSI currently does not serve end-user customers, but serves as a wholesale provider of service to other carriers. Broadwing-CSI received its authority to provide telecommunications services in Illinois on April 3, 1995, in Docket No. 95-0102, under the name IXC Long Distance, Inc. ("IXC-LD"). As the Commission was previously notified, IXC-LD's name was later changed to IXC Communications Services, Inc. and then to Broadwing-CSI. Broadwing-TI is authorized to provide resold intrastate interexchange services in forty-eight states, including Illinois. Broadwing-TI received its authority to provide resold telecommunications services in Illinois on March 21, 1994, in Docket No. 93-0400, under the name Network Long Distance, Inc. ("Network"). As the Commission was previously notified, Network's name was later changed to Eclipse Telecommunications, Inc. and then to Broadwing-TI. Broadwing-TI currently resells Broadwing-CSI's long distance services to end-user customers. Both Broadwing-CSI and Broadwing-TI provide interstate and international telecommunications services pursuant to authority granted by the FCC.

II. The Transaction

Pursuant to a purchase agreement executed by the Parties on February 22, 2003, Broadwing-CSI has agreed to sell to C III its entire broadband business, which includes interstate and intrastate long distance and private line services. C III, through its wholly-owned subsidiary, C III Ops, would continue to provide service to all of Broadwing-CSI's and Broadwing-TI's existing customers under the trade name "Broadwing." In addition, C III Ops would retain all of Broadwing-CSI's current employees. The proposed transaction must be structured as an asset sale rather than a

transfer of control because of federal and state income tax implications. As a result, substantially all of the assets of Broadwing-CSI, including all of the assets and customers of its wholly owned subsidiary, Broadwing-TI, shall be transferred to C III Ops. C III Ops would hold the operating authority and the customer contracts. The SPEs have been organized to hold the acquired assets and employees.

The assets to be transferred are substantially all of the assets and customers of Broadwing-CSI and Broadwing-TI. These assets include the following personal property: inventory, equipment, accounts, general intangibles, contract rights, instruments, investment property, all other personal property, and the proceeds and products thereof in whatever form the same may be. The real property will also be transferred. Most of the real property located in Illinois is a part of Broadwing-CSI's nationwide telecommunications network. It is currently held by Broadwing Communications Real Estate Services LLC, a Delaware limited liability company and a wholly owned subsidiary of Broadwing-CSI that is also a party to the Agreement.⁴ Further, the entire customer base of Broadwing-TI would be transferred to C III Ops, as would the existing service arrangements between Broadwing-CSI and its carrier customers. Broadwing-TI has approximately 4,892 customers in Illinois. As previously stated, Broadwing-CSI functions as a wholesale provider of capacity to other carriers, and thus does not provide service directly to end-user customers.

The transfer of assets described above is clearly in the public interest. The proposed transaction would be seamless and transparent to Broadwing-TI's Illinois customers. In addition, the proposed combination of the financial and managerial

⁴ The real property would be transferred to C III Communications Real Estate, LLC. Any reference herein to transferring the real property to C III Ops shall mean C III Communications Real Estate, LLC.

abilities of C III Ops, with the operations of Broadwing-CSI and Broadwing-TI, would result in a business that is better positioned than Broadwing-CSI and Broadwing-TI to continue to provide and expand services offerings to their Illinois customers.

As part of the Agreement, C III Ops would purchase the trade name "Broadwing," and would continue to provide service under that name. Customer invoices would continue to be issued in the same format in which they were issued prior to the transaction. The only change on the invoice would be that the name "Broadwing Communications, LLC" would appear on the invoices in place of Broadwing-CSI and Broadwing-TI. The Broadwing logo would still appear on all the invoices. In addition, there would not be a change in the customers' presubscribed interexchange carrier because C III Ops would also acquire Broadwing-CSI's and Broadwing-TI's Carrier Identification Codes ("CICs"). As a result, the local exchange carriers would not be required to make any changes to their customers' Presubscribed Interexchange Carrier ("PIC") Codes--thus avoiding the possibility of any mistakes or delays associated with having to initiate a PIC change for a customer.

Furthermore, C III Ops proposes to adopt Broadwing-CSI's and Broadwing-TI's currently effective tariffs. Accordingly, the proposed transaction would not result in any change in the terms, conditions and price of service to Broadwing-CSI and Broadwing-TI customers that would be transferred to C III Ops. Finally, there would not be any changes in customer service personnel, telephone numbers, website addresses, account managers, etc. As a result, customers would continue to receive the best possible service and would continue to be able to contact their service provider in the same way they always have. In addition, the regulatory contacts for interfacing with Commission

staff would remain the same. In short, while the proposed transaction is an asset sale, it would be virtually seamless and transparent to the current customers because there would be no change in the name of the providing carrier, no substantial change in the format or appearance of the customers' bills, no change in the terms, conditions and price of service, no change in customer service, and no reprogramming of the LEC networks.

The financial, managerial and technical qualifications of C III Ops would also be greatly enhanced by the proposed transaction. Corvis and Cequel III plan to invest substantial capital to purchase the assets of Broadwing-CSI and Broadwing-TI. Combined, Corvis and Cequel III would pay approximately \$129 million in cash and have every incentive to ensure the financial success of C III Ops. Towards that end, Corvis has committed to making a working capital infusion of up to \$50 million, as needed, upon the closing of the proposed transaction. This would provide C III Ops with additional financial resources in case of any unforeseen operating deficits or to further expand services. Corvis has the financial resources necessary to contribute the \$50 million in working capital and is otherwise qualified to be the controlling owner of a provider of competitive telecommunications services in Illinois.

In short, if the financial resources of Corvis were combined with the operations of Broadwing-CSI and Broadwing-TI, the financial qualifications of the resulting business would be greatly improved. C III Ops would be better positioned than Broadwing-CSI or Broadwing-TI to continue to provide and expand service offerings to their Illinois customers. In addition, the proposed transaction would enhance C III Ops' technical ability to operate, maintain and expand its service offerings in the State of Illinois because all of the technical personnel, including the Chief Technology Officer,

network engineers and field technicians employed by Broadwing-CSI would be transferred to C III Ops.⁵ Likewise, the proposed transaction would enhance C III Ops' managerial qualifications because Broadwing-CSI's core management team would be transferred to C III Ops.

The Parties will comply with all applicable FCC and Commission rules, regulations and procedures requiring customer notice of the proposed transaction. Attached hereto is a copy of the notice to be sent to all affected customers. The notice will be sent to customers at least 30 days prior to the closing of the proposed transaction.

It is the Parties' understanding that prior Commission approval is not required for the transaction described above. In the event, however, that the Commission determines approval is required, please consider this letter a request for expedited approval so that the Parties may complete this transaction as soon as practicable. Absent written notice to the contrary within 30 days of the date of this letter, the Parties will assume no further action is required and will consummate the transaction as planned.

⁵ As stated above, the employees employed by C III Communications Employees, Inc. All references herein transferring employees to C III Ops shall mean C III Communications Employees, Inc.



Broadwing Telecommunications, Inc.
C III Communications Operations, LLC (soon to be Broadwing Communications, LLC)

Date

Dear Long Distance Service Customer:

We are pleased to inform you that C III Communications Operations, LLC ("C III") is acquiring all the assets of Broadwing Telecommunications Inc., your current long distance service provider. Please rest assured that the acquisition will not affect the quality of your service and you do not need to do anything to continue your service. As of [date], C III will become your long distance carrier and Broadwing Telecommunications will cease providing long distance services. After the transfer, services will continue to be provided and billed to you under the Broadwing name. In fact, after obtaining all of the necessary regulatory approvals, C III will change its name to Broadwing Communications, LLC (the "New Broadwing").

The New Broadwing will continue to be run in the same manner and there will be no significant change in the services you enjoy. All of your calls will continue to be carried on the Broadwing network -- *The World's First Beautiful Networksm*. As a customer of the New Broadwing, you will continue to receive all the features, current rates and terms and conditions of service that you enjoy today. Consistent with current regulatory requirements, you will receive written notice in accordance with applicable state and federal law prior to any future changes in your terms and conditions of service. We are committed to making this transition as seamless as possible. You should not notice any change except the new invoices may include a new mailing address for payments. All customer service numbers and personnel will remain the same.

If you are satisfied with your current service and would like to remain in the Broadwing network, simply do nothing. If you do not select a new long distance provider before [date], all customers receiving this notice will have their long distance service transferred to the New Broadwing regardless of whether the account has a preferred carrier freeze. To ensure that your preferred carrier freeze remains in effect after the transfer, we encourage you to contact your local carrier after [date] to arrange a new preferred carrier freeze.

All customer service questions, before and after the transfer, can still be directed to (800) 422-1199. If you have any questions about the transfer please do not hesitate to call us or visit our website at _____.

We appreciate your business and look forward to serving you in the years ahead.

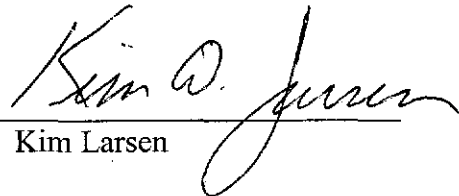
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STATE OF MARYLAND)
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COUNTY OF HOWARD)
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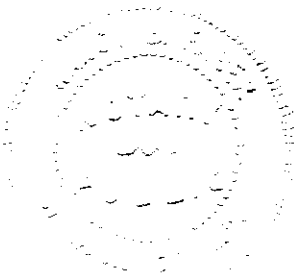
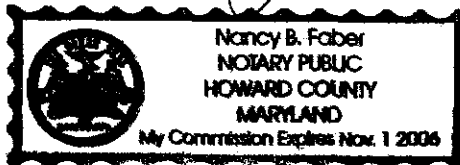
I, Kim Larsen, declare under penalty of perjury that I am Secretary of C III Communications, LLC and C III Communications Operations, LLC; that I have read the foregoing Statement of C III Communications, LLC, C III Communications Operations, LLC, Broadwing Communications Services Inc., and Broadwing Telecommunications Inc. to be filed with the Illinois Commerce Commission in Case No. 03-0206 and know the contents thereof; that the same are true to the best of my knowledge, except as to the matters that are therein stated on information or belief, and as to those matters I believe them to be true.

By:


Kim Larsen

SUBSCRIBED AND SWORN to before me this 10th day of April, 2003.





AFFIDAVIT

STATE OF OHIO)
)
COUNTY OF HAMILTON)
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I, Mary E. McCann, declare under penalty of perjury that I am Senior Vice President – Internal Controls of Broadwing Communications Services Inc. and Broadwing Telecommunications Inc.; that I have read the foregoing Statement of C III Communications, LLC, C III Communications Operations, LLC, Broadwing Communications Services Inc., and Broadwing Telecommunications Inc. to be filed with the Illinois Commerce Commission in Case No. 03-0206 and know the contents thereof; that the same are true to the best of my knowledge, except as to the matters that are therein stated on information or belief, and as to those matters I believe them to be true.

By: Mary E. McCann
Mary E. McCann

Subscribed and sworn before me
this 10th day of April, 2003

Susan D. McClarnon
Notary Public

My Commission Expires: Susan D. McClarnon
Notary Public, State of Ohio
My Commission Expires Mar. 18, 2008